

## Bonds Purchased as IRA (Individual Retirement Account) Investments: Issues Related to Issuing and Redeeming

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### Issuing as IRA Investments

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Series EE and I bonds *may* be issued to show the names and fiduciary capacities of trustees or custodians appointed to manage IRAs.

- **Taxpayer identifying number:** In every case, the investor's social security account number must be used.
- **Order forms:** PD F 5263-1 (Series EE) and PD F 5374-1 (Series I).
- **Registrations:** One of the following forms should be used.

♦ 123-45-6789 First Natl Bk Tr U/A Paul E. White IRA Dtd 2-1-89	♦ 123-45-6789 First Natl Bk Tr Paul E. White IRA Dtd 2-1-89
♦ 123-45-6789 First Natl Bk Tr Paul E. White IRA U/A Dtd 2-1-89	♦ 123-45-6789 First Natl Bk Cust Paul E. White IRA Dtd 2-1-89
- **Internal Revenue Code (IRC) references:** You may include references to sections of the IRC in registrations without any verification of their correctness if purchasers request. You do not need to obtain and examine copies of trust, custodial, or similar agreements.
- **Individual (“a natural person”) named as trustee/custodian:** A letter from the IRS granting an individual permission to serve as a non-bank trustee/custodian under IRC § 408(a)(2) must be submitted to the servicing FRB with the purchase application. If purchaser insists savings bonds be issued to a non-bank trustee/custodian of an IRA but refuses to furnish a copy of the letter, you should decline to handle the transaction further. You should not submit the purchase order to your servicing Federal Reserve Office.
- **Annual purchase limits:** When receiving a purchase order for an IRA investment, you should ask whether the purchase is a roll-over.
  - **If no:** Annual purchase limits are:
    - **Series EE:** \$60,000 face amount (\$30,000 issue price).
    - **Series I:** \$30,000 face amount.
  - **If yes:** No annual purchase limit applies. A statement indicating roll-over status should be submitted to the servicing FRB with the purchase application.

## Redeeming Bonds Purchased as an Ira Investment

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- **Payable to:** You may pay bonds to the trustee/custodian named on bonds presented for redemption. Payment must be in accordance with the Treasury's Guide to Cashing Savings Bonds.
- **Questions to ask the presenter:** You must ask the presenter of the bond the following question(s) common to all IRAs:
  - Will the redemption proceeds be rolled over into another retirement savings arrangement qualified under the Internal Revenue Code?

If not...

- Do you desire to withhold 10% of the entire redemption proceeds for federal income tax purposes?
- **Reporting redemptions:** Use IRS Form 1099-R to report redemptions of savings bonds registered in the names of trustees/custodians for IRA's. **DO NOT USE IRS Form 1099-INT.**
  - **Reporting to payees:** Furnish IRS Forms 1099-R to payees by January 31 following the year of redemption.
  - **Reporting to the IRS:** Furnish IRS Forms 1099-R to the IRS by February 28 following the year of redemption. Transmit hard copy IRS Forms 1099-R to the IRS under cover of IRS Form 1096. Use IRS Form 4804 for magnetic tape recording.

## Miscellaneous Facts About Savings Bonds Bought as IRA Investment

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- **Trustee/custodian involvement:** The trustee/custodian to be designated in bond registrations must be fully involved in the decision to buy bonds and in filling out and submitting the order.
- **Requirement to use savings bonds for IRA investment:** Institutions qualified as IRA trustees/custodians and as savings bond agents may use savings bonds as IRA funding vehicles. However, no institution or agent is required to do so. IRA trustees/custodians are not required to make the public aware that savings bonds can be used in this matter, and they may even counsel customers against doing so.
- **Reporting rules:** When bonds are purchased in the financial institution's name as an IRA trustee/custodian, the financial institution should follow any and all reporting rules it currently observes in opening and maintaining its own IRA accounts.
- **Procedures for closing IRA account:** Paying agents should offer the option either for 10% withholding or for a tax-free rollover when redeeming bonds registered in IRA trustee's/custodian's name. The agent should report the transaction on IRS Form 1099-R. Trustees/custodians should follow any other normal procedures and rules they ordinarily observe in closing IRA accounts offered to their own depositors. For control purposes, trustees/custodians that are also paying agents may benefit by paying bonds in their names as IRA fiduciaries rather than submitting the bonds to another institution or Federal Reserve office for payment.